

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 0-4

A. JUSTIFICATION

1. Necessity for the Collection Information

Multiple sections of the Investment Advisers Act of 1940 (“Advisers Act”) give the Securities and Exchange Commission (“Commission”) the authority to issue orders granting exemptions from the Advisers Act’s provisions.¹ The section that grants the broadest authority is section 206A, which provides the Commission with authority to conditionally or unconditionally exempt any person or transaction, or any class or classes of persons, or transactions, from any provision of the Advisers Act, or the rules or regulations thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act.² Congress enacted section 206A to give the Commission the flexibility to address unforeseen or changed circumstances in the investment adviser industry.

Rule 0-4 under the Advisers Act prescribes general instructions for filing an application seeking exemptive relief with the Commission.³ Rule 0-4 contains a currently approved “collection of information,” for purposes of the Paperwork Reduction Act, under Office of Management and Budget (“OMB”) control number 3235-0633, and is titled “Rule 0-4 under the Investment Advisers Act of 1940, General Requirements of Papers and Applications.” An

¹ 15 U.S.C. 80b-1 *et seq.* See e.g., 17 CFR 275.206(4)-5(e) (providing that the Commission may, upon application, exempt an adviser from certain prohibitions of a rule concerning political contributions, and providing a non-exclusive list of factors the Commission will consider when evaluating these applications).

² 15 U.S.C. 80b-6(a).

³ 17 CFR 275.0-4.

agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Respondents to the collection of information are applying for orders of the Commission exempting them from one or more provisions of the Advisers Act. Applicants for such orders can include registered investment advisers, affiliated persons of registered investment advisers, and entities seeking to avoid investment adviser status, among others. The requirements of rule 0-4 are designed to provide Commission staff with the necessary information to assess whether granting the orders of exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the intended purposes of the Advisers Act. This collection of information is necessary in order to obtain or retain benefits. Responses will not be kept confidential.

2. Purpose and Use of the Information Collection

Respondents to the collection are applying for orders of the Commission exempting them from one or more provisions of the Advisers Act. The requirements of rule 0-4 are designed to provide Commission staff with the necessary information to assess whether granting the orders of exemption are necessary or appropriate in the public interest and consistent with the protection of investors and the intended purposes of the Advisers Act.

3. Consideration Given to Information Technology

Rule 0-4 requires an applicant seeking Advisers Act relief to submit its application electronically to the Commission through the Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) system.

4. Duplication

The reporting requirements of rule 0-4 are not duplicated elsewhere.

5. Effect on Small Entities

The requirements of rule 0-4 apply equally to all applicants seeking orders of the Commission exempting them from one or more provisions under the Advisers Act, regardless of size. If we were to exempt small entities from the information collection requirements, it would be difficult for Commission staff to obtain the necessary information to assess whether granting orders of exemption for such entities would be necessary or appropriate in the public interest and consistent with the protection of investors and the intended purposes of the Advisers Act. Therefore, it would defeat the purpose of rule 0-4 to exempt small entities from the information collection requirements. The information collection requirements will not affect most investment advisers that are small entities because they generally are registered with one or more state securities authorities and not with the Commission.⁴ Investment advisers that manage less than \$100 million in regulatory assets under management generally are prohibited from registering with the Commission and register with state securities authorities.⁵ As required by the Regulatory Flexibility Act, the Commission reviews all rules periodically to identify ways to minimize reporting and recordkeeping requirements that may affect small businesses.⁶

6. Consequences of Not Conducting Collection

The requirements of rule 0-4 apply only to applications for orders from the Commission for which a form is not specifically prescribed. Applicants for orders under the Advisers Act file

⁴ Under Advisers Act Rule 0-7, for purposes of the Regulatory Flexibility Act an investment adviser generally is a small entity if it: (1) has assets under management of less than \$25 million; (2) did not have total assets of \$5 million or more on the last day of its most recent fiscal year; and (3) does not control, is not controlled by, and is not under common control with another investment adviser that has assets under management of \$25 million or more, or any person (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year. 17 CFR 275.0-7.

⁵ See 15 U.S.C. 80b-3a.

⁶ 5 U.S.C. 601 *et seq.*

applications as they deem necessary; therefore, the Commission has no control over the number of applications submitted. As a result, the Commission generally cannot require a less frequent collection unless it does not require the collection with respect to every application. Eliminating rule 0-4 requirements for certain or all applications would make it difficult for the Commission to process and review requests for exemptive relief. The Commission will, however, when it deems it necessary or appropriate, codify prior exemptive relief into rules to eliminate the need for respondents to file exemptive applications in those instances, and relieve them of rule 0-4 requirements.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Not applicable.

8. Consultation With Persons Outside the Agency

The Commission requested public comment on the collection of information requirements in rule 0-4 before submitting this request for extension and approval to the OMB. The Commission received no comments in response to its request. The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment adviser industry through public conferences, meetings and informal exchanges. These forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

9. Payment or Gift

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Burden of Information Collection

Applicants for orders under the Advisers Act file applications as they deem necessary.

The Commission continues to estimate that it receives seven initial applications per year submitted under rule 0-4 of the Advisers Act. Although some applications are submitted on behalf of multiple applicants, these applicants in the vast majority of cases are related entities and are treated as a single respondent for purposes of this analysis.

Most of the work of preparing an application is performed by outside counsel and, therefore, imposes no time burden on the respondents. Nevertheless, the Commission requests approval for one burden hour for administrative purposes, which is the current hour burden for administrative purposes, and which we believe remains appropriate. The time burden estimate is made solely for the purposes of the Paperwork Reduction Act and is not derived from a comprehensive or even representative survey or study of the costs of Commission rules and forms.

Table 1: Summary of the Annual Number of Responses, Time Burden, and External Cost Burden

Description	Requested	Previously Approved	Change
Responses	7	7	0
Time burden (Hours)	1	1	0
External Cost Burden (Dollars) ⁷	\$440,387.38	\$405,210	\$35,177.38

⁷ See *infra* Item 13 (Cost to Respondents).

13. Cost to Respondents

We have increased our estimated external cost burden due to using updated data for baseline costs,⁸ which is discussed in the table below.

Table 2: Annual External Cost Burden Estimates

	Types of applications	Current external cost burden per filing ¹		Number of applications ²	Current total external cost burden per filing type
Advisers Act Exemptive Applications	Well-Precedented Applications	15,259.94	x	3	\$45,779.82
	Medium Complexity Applications	51,948.56		3	\$155,845.68
	High Complexity Applications	238,761.88		1	\$238,761.88
Annual total external cost burden:					\$440,387.38

Notes:

1. The cost that outside counsel charges applicants depends on the complexity of the issues covered by the application and the time required. Based on conversations with applicants and attorneys, the cost for applications ranges from approximately \$15,259.94 for preparing a well-precedented, routine (or otherwise less involved) application; \$51,948.56 for preparing medium complex applications; and approximately \$238,761.88 to prepare a complex or novel application. We have adjusted these numbers to reflect changes in prices from the previously approved estimates based on the U.S. Bureau of Labor Statistic's CPI Inflation calculator.

2. Based on our experience, we estimate that the Commission annually receives three well-precedented applications, three applications of medium complexity, and one high complexity application.

⁸ The previously approved annual external cost burden is \$405,210.

14. Cost to the Federal Government

The annual cost of reviewing and processing applications under the Advisers Act for orders from the Commission for exemptive relief amounted to approximately \$801,799.32 in fiscal year 2025, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.⁹

15. Changes in Burden

We estimate no changes in the annual number of responses or annual time burden. Rule 0-4 imposes no time burden; however, we are continuing to request one hour for administrative purposes. We estimate that the annual external cost burden will increase by \$35,177.38 from \$405,210 to \$440,387.38. We expect that the annual external cost burden would increase due to updated data concerning baseline costs. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submissions

Not applicable.

⁹ Using the previously approved amount of \$737,753 from May 2022, we used the CPI inflation calculator from the U.S. Bureau of Labor Statistics to calculate that this amount has the same buying power as \$801,799.32 in January 2025. The U.S. Bureau of Labor Statistics CPI inflation calculator is *available at* https://www.bls.gov/data/inflation_calculator.htm.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.